

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-02 INR-09 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-14 STR-08

TAR-02 TRSE-00 USIA-12 PRS-01 SAL-01 OMB-01 NEA-10

AF-10 IO-12 RSR-01 (ADP) W

----- 033216

R 121016 Z MAR 73
FM AMEMBASSY BONN
TO SECSTATE WASHDC 3797
INFO AMEMBASSY BRUSSELS
USMISSION EC BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME

C O N F I D E N T I A L BONN 3604

E. O. 11652: GDS
TAGS: ETRD, EEC, WG, US
SUBJECT: EC MEDITERRANEAN POLICY- US INFLUENCE ON COUNCIL DEBATE

REF A. EC BURSSSELS 1199; B. BONN 3151; C. BONN 3597

1. SUMMARY: DURING THE PAST MONTH, OFFICIALS AT VARIOUS LEVELS
IN THE FRG HAVE APPEALED FOR AN INFORMAL US ASSURANCE WITH REGARD
TO THE EC MEDITERRANEAN POLICY, THAT WE WOULD TOLERATE ONE- WAY
FREE TRADE AREAS BETWEEN THE EC AND NON- EUROPEAN DEVELOPING
COUNTRIES (SEE REFTEL C). SUCH AN INFORMAL ASSURANCE, THEY
BELIEVE, WOULD NOT INVOLVE GIVING UP OUR BASIC POSITION ON
THE GATT ABILITY QUESTION AND THEY RECOGNIZE THAT WE WOULD
RESERVE OUR GATT RIGHTS, INCLUDING A CLAIM FOR ADJUSTMENTS
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IN SPECIFIC CASES OF TRADE DAMAGE. ACTION REQUESTED: WE BELIEVE THE GERMAN REQUEST AS WELL AS THE AID ASPECT OF MEDITERRANEAN POLICY DESERVE WASHINGTON CONSIDERATION BEFORE THE MARCH 20/21 US/ EC CONSULTATIONS. END SUMMARY.

2 AN INDICATION THAT THE US WOULD TOLERATE A ONE- WAY FREE TRADE AREA BETWEEN THE EC AND THE NON- EUROPEAN DEVELOPING COUNTRIES OF THE MEDITERRANEAN WOULD, GERMAN OFFICIALS BELIEVE, HELP SIGNIFICANTLY IN DEBUNKING THE COMMISSION AND FRENCH ARGUMENTS SUPPORTING REVERSE PREFERENCES. WITHOUT SOME INDICATION

THAT A " PRAGMATIC" EC INTERPRETATION OF ARTICLE XXIV WILL BE TOLERATED, THE GERMANS FIND IT DIFFICULT TO COUNTER FRENCH CONTENTIONS THAT MEETING THE RECIPROCITY REQUIREMENT OF ARTICLE XXIV AS THE ONLY WAY TO HANDLE EC SPECIAL PREFERENCES FOR THE MEDITERRANEAN IN THE GATT. CONSIDERING WHERE BRUSSELS IS ON THIS ISSUE, AND THAT IT IS GOING TO BACK AWAY FROM THIS POINT ONLY STEP BY STEP, IT IS NOT VERY HELPFUL, THE GERMANS SAY, JUST TO POINT OUT THAT THE WHOLE GATT ARGUMENT IS SPECIOUS. THIS US POINT SEEMS RATHER TO CONFIRM THE FRENCH CONTENTION THAT THE US WANTS TO OUTLAW THE WHOLE ASSOCIATION POLICY OF THE EC.

3. THE FRENCH, WE ARE TOLD, ARGUE THAT, SHOULD THE AGREEMENT WITH THE MAGREB STATES NOT CONTAIN REVERSE PREFERENCES, THE US WOULD LEAD THE ATTACK IN THE GATT CLAIMING THAT THE ONE- WAY FEATURE IS THE ULTIMATE PROOF THAT SUCH TRADE ARRANGMENTS DO NOT CONFORM TO THE REQUIREMENTS OF ARTICLE XXIV. ACCORDING TO OUR BON CONTACTS, THE FRENCH CONTEND THAT THE US HAS SEIZED ON THE REVERSE PREFERENCE ISSUE TO GET THE EC TO TAKE A STEP THAT WILL BE USED AGAINST IT IN A US EFFORT TO BRING DOWN THE EC' S ENTIRE MEDITERRANEAN AND ASSOCIATION POLICY.

4. WE BELIEVE THAT THE US NEEDS TO GIVE SERIOUS CONSIDERATION TO THE GERMANS' POINT. WE SHOULD MOREOVER STRESS THAT THE OFFICIALS WHO RAISE THIS POINT ALSO INDICATE VIRTUALLY COMPLETE AGREEMENT WITH THE SCENARIO THAT REVERSE PREFERENCES, ONCE FOREGONE IN MEDITERRANEAN NORTH AFRICA, SHOULD BE FOREGONE IN YAOUNDE III AND VIS A VIS THE COMMONWEALTH ASSOCIABLES AS WELL; AND SUBSEQUENTLY, THAT EC SPECIFIC PREFERENCES TO LDC ASSOCIATE SHOULD BE FOLDED INTO REVISED GENERALIZED PREFERENCES FOR ALL LDCS. BUT THIS IS A COURSE THAT WILL HAVE TO BE TAKEN STEP BY STEP AND ON WHICH THE
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FIRST STEP MAY BE THE HARDEST. IT IS IN THIS SENSE, THAT FRG OFFICIALS ARGUE THAT A LITTLE PRAGMATIC TOLERATION VIS A VIS THE GATT ASPECTS OF ONE- WAY " FREE TRADE AREAS" IN THE MEDITERRANEAN COULD BE WELL WORTH IT. THEY DESPAIR OF DROPPING THE FREE TRADE AREA RUBRIC NOW, NOT ONLY BECAUSE IT IS PART OF THE EC' S BAGGAGE, BUT BECAUSE IT WOULD AMOUNT TO THE EC' S NOW ADMITTING THE ILLEGALITY OF YAOUNDE AS WELL. THIS CONFLICTS WITH THE FRG BELIEF THAT THE DESIRED CHANGE IN EC ORIENTATION TOWARD LDC' S CAN BE TAKEN ONLY ONE STEP AT A TIME AND, CONVERSELY, THAT A BROADER INITIAL RUSH WILL FAIL.

5. COULD NOT A US INDICATION OF HOW WE MIGHT ENVISAGE GATT CONSIDERATION OF ONE- WAY " FREE TRADE AREAS" IN THE MEDITERRANEAN MEET THE GERMAN REQUEST FOR TOLERATION, WHILE AT THE SAME TIME BE SUFFICIENTLY VAGUE TO LEAVE OPEN FUTURE OPTIONS REGARDING OTHER EC AGREEMENTS AND BE COMPLETELY CLEAR ON OUR RIGHTS REGARDING CLAIMS FOR TRADE DAMAGE? IF SO, WE BELIEVE WE SHOULD TRY TO PROVIDE A LITTLE SUPPORT ON THIS POINT TO THE EC OPPONENTS OF REVERSE PREFERENCES.

6. SINCE THE COOPERATION QUESTION IS TIED SO CLOSELY WITH THE REVERSE PREFERENCES ISSUE, WE BELIEVE THAT WASHINGTON MIGHT ALSO CONSIDER, IN PREPARATION FOR MARCH 20/21 US/ EC CONSULTATIONS WHETHER THE US CAN ACCEPT INCREASED TIED EC AID TO THE MAGREB STATES AND OTHER AS PART OF A MEDITERRANEAN POLICY WITHOUT REVERSE PREFERENCES. ALTHOUGH THE US HAS ENCOURAGED THE COOPERATION ASPECT IN THE PAST, IT IS OUR JUDGMENT THAT NOT ONLY WILL SUCH INCREASED EC AID BE TIED, BUT PROBABLY TIED IN A MULTILATERAL EC CONTEXT THAT WOULD MOST LIKELY NOT BE CHANGED BY ANY FUTURE UNTYING EFFORTS. ARE WE WILLING TO ACCEPT THIS ALTERNATIVE TYPE OF REGIONALISM, OR SHOULD WE SPEAK MORE SOFTLY ABOUT COOPERATION POLICY? HILLENBRAND

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DUBLIN
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SECSTATE WASHDC
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